Kungwini Local Municipality

Annual Financial Statements

for the year ended 30 June 2011

General Information

Legal form of entity	Municipality (MFMA)
Mayoral committee	
Executive Mayor	R Makola (Mayor)
	LM Mahlangu (Speaker)
Councillors	BA Mokoena (MMC)
	S Pitseng (MMC)
	AD Mabona (MMC)
	H Khan (MMC)
	MW Dlongawana (MMC)
Grading of local authority	Grade 4
Chief Finance Officer (CFO)	SB Makoele
Registered office	Cnr Botha and Mark Street Bronkhorstspruit 1020
Business address	Cnr Botha and Mark Street Bronkhorstspruit 1020
Postal address	P.O.Box 40 Bronkhorstspruit 1020
Bankers	ABSA
Auditors	Auditor General of South Africa

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2012 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5 to 58, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2011 and were signed on its behalf by:

Accounting Officer

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2011.

1. Review of activities

Main business and operations

The municipality is engaged in the provision of basic services being water, sanitation, and electricity as well infrastructure being roads, etc. to the community and operates principally in Kungiwni.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was 20,850,890 (2010: deficit 39,651,846).

2. Going concern

We draw attention to the fact that at 30 June 2011, the municipality had accumulated deficits of 166,736,591 and that the municipality's total liabilities exceed its assets by 166,736,591.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Councillors

The members of the council of the municipality during the year and to the date of this report is as follows:

Name	Position	Changes
R Makola	Mayor	
LM Mahlangu	Speaker	
RJ Sihlangu	Member of the Executive Committee	
BA Mokoena	Member of the Executive Committee	
S Pitseng	Member of the Executive Committee	
H Khan	Member of the Executive Committee	
AD Mabona	Member of the Executive Committee	
GJ van Tonder	Councillor	
PA van Der Walt	Councillor	
SP Mabena	Councillor	
MM Phasha	Councillor	
NE Ntshabeleng	Councillor	
JB Masombuka	Councillor	
VP Mabelani	Councillor	
PM Nkonsi	Councillor	
JM Masango	Councillor	
MW Dlongwana	Councillor	
C Knox	Councillor	
H Weber	Councillor	
D Motaung	Councillor	
C de Jaber	Councillor	

Accounting Officer's Report

JH Faul	Councillor
ES Mashiloane	Councillor
GN Mbonani	Councillor
SJ Sebola	Councillor
MLH Sekwati	Councillor
SE Kekana	Municipal Manager

5. Auditors

Auditor General of South Africa will continue in office for the next financial period.

Statement of Financial Position

	Note(s)	2011	2010
Assets			
Current Assets			
Inventories	6	1,928,004	2,169,236
Trade and other receivables	7	28,868,388	21,775,841
Consumer debtors	8	94,632,545	26,820,038
Cash and cash equivalents	9	1,659,049	19,440,653
		127,087,986	**70,205,768**
Non-Current Assets			
Property, plant and equipment	3	355,310,598	346,276,954
Intangible assets	4	588,080	1,097,723
		355,898,678	**347,374,677**
Total Assets		**482,986,664**	**417,580,445**
Liabilities			
Current Liabilities			
Finance lease obligation	10	110,576	108,151
Trade and other payables	15	216,084,987	128,228,605
VAT payable	16	22,512,708	21,464,868
Borrowings	14	2,597,333	2,101,091
		241,305,604	**151,902,715**
Non-Current Liabilities			
Finance lease obligation	10	103,720	214,296
Retirement benefit obligation	5	15,761,498	11,724,213
Unspent conditional grants and receipts	11	16,651,756	23,006,972
Provisions	12	12,332,223	11,503,939
Consumer deposit	13	11,942,062	11,953,100
Borrowings	14	18,153,210	19,687,734
		74,944,469	**78,090,254**
Total Liabilities		**316,250,073**	**229,992,969**
Net Assets		**166,736,591**	**187,587,476**
Net Assets			
Accumulated surplus		166,736,591	187,587,476

Statement of Financial Performance

	Note(s)	2011	2010
Revenue			
Property rates	18	91,567,704	113,594,377
Service charges	19	260,616,896	165,389,631
Rental of facilities and equipment		475,781	483,418
Income from agency services		7,251,339	4,949,763
Fines		231,511	339,297
Licences and permits		4,005,855	328,159
Government grants & subsidies	20	123,911,225	74,502,818
Other revenue		7,018,826	3,842,513
Interest received - investment	25	1,699,429	825,643
Total Revenue		**496,778,566**	**364,255,619**
Expenditure			
Personnel	22	(124,750,338)	(115,826,604)
Remuneration of councillors	23	(6,906,474)	(7,086,035)
Depreciation and amortisation	26	(33,905,380)	(30,631,873)
Finance costs	27	(6,732,805)	(6,872,782)
Debt impairment	24	(25,339,840)	(32,157,909)
Repairs and maintenance		(69,585,974)	(37,255,251)
Bulk purchases	31	(157,518,626)	(111,511,025)
Contracted services	29	(16,716,717)	(15,437,239)
Grants and subsidies paid	30	(21,036,487)	(9,188,269)
Loss on disposal of assets	30	-	(2,398,393)
General Expenses	21	(57,145,778)	(33,143,692)
Total Expenditure		**(519,638,419)**	**(401,509,072)**
Gain (loss) on disposal of assets and liabilities		2,008,963	(2,398,393)
Deficit for the year		**(20,850,890)**	**(39,651,846)**

Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
Balance at 01 July 2009	**227,239,322**	**227,239,322**
Changes in net assets		
Surplus for the year	(39,651,846)	(39,651,846)
Total changes	(39,651,846)	(39,651,846)
Balance at 01 July 2010	**187,587,481**	**187,587,481**
Changes in net assets		
Surplus for the year	(20,850,890)	(20,850,890)
Total changes	(20,850,890)	(20,850,890)
Balance at 30 June 2011	**166,736,591**	**166,736,591**

Cash Flow Statement

	Note(s)	2011	2010
Cash flows from operating activities			
Receipts			
Cash receipts from ratepayers and other institutions		372,659,245	300,211,656
Cash receipts from grants		123,911,225	74,502,818
Interest income		1,699,429	825,643
		498,269,899	375,540,117
Payments			
Cash paid to employees		(126,865,251)	(122,912,639)
Cash paid to suppliers		(340,875,564)	(206,535,476)
Finance costs		(6,732,805)	(6,872,782)
		(474,473,620)	(336,320,897)
Net cash flows from operating activities	32	**23,796,279**	**39,219,220**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(42,367,582)	(16,215,359)
Proceeds from sale of property, plant and equipment	3	2,008,963	34,865
Purchase of intangible assets	4	(61,797)	(255,879)
Increase in value of assets due to correction of error		-	(14,151,249)
Net cash flows from investing activities		**(40,420,416)**	**(30,587,622)**
Cash flows from financing activities			
Movement in consumer deposit		(11,038)	994,659
Movement in borrowings		(1,038,282)	(2,101,089)
Finance lease payments		(108,151)	(407,198)
Net cash flows from financing activities		**(1,157,471)**	**(1,513,628)**
Net increase/(decrease) in cash and cash equivalents		**(17,781,608)**	**7,117,970**
Cash and cash equivalents at the beginning of the year		19,440,653	12,322,683
Cash and cash equivalents at the end of the year	9	**1,659,045**	**19,440,653**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

The carrying amount of available-for-sale financial assets would be an estimated - lower or - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 12 - Provisions.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The municipality recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The municipality recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the municipality to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the municipality to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 5.

Effective interest rate

The municipality used the municipality borrowing interest rate to discount future cash flows.

1.1 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

1.2 Property, plant and equipment (continued)

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revalutation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Buildings	50 years
Furniture and fixtures	5 - 10 years
Motor vehicles	5 years
Office equipment	3 - 15 years
Computer software	3 years
Infrastructure	6 - 100 years
Community	30 - 50 years
Other property, plant and equipment	3 - 10 years
Landfill	6 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

1.2 Property, plant and equipment (continued)

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.3 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited to revaluation surplus in equity, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit under (a). If a revaluation is necessary, all assets of that class are revalued.

1.4 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

1.4 Intangible assets (continued)

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 years

1.5 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality’s operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset’s net selling price and its value in use.

1.5 Heritage assets (continued)

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

1.6 Financial instruments

Classification

The entity classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Regular way purchases of financial assets are accounted for at trade date.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Accounting Policies

1.6 Financial instruments (continued)

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.6 Financial instruments (continued)

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

1.8 Inventories (continued)

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.10 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

Accounting Policies

1.11 Employee benefits

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.12 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Accounting Policies

1.12 Provisions and contingencies (continued)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

1.12 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount, and account for any impairment loss, in accordance with the amounting policy on impairment of assets as described in accounting policy 1.9 and .

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.13 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.14 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

1.14 Revenue from non-exchange transactions (continued)

Other grants and donations

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.15 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:
- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:
- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.9 and . In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.18 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Accounting Policies

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.21 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.22 Presentation of currency

These annual financial statements are presented in South African Rand.

1.23 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.24 Taxation

Kungwinin Local Municipality is exempt from normal tax in terms of section 10(1)cB(i)(ff) of the Income Tax Act.

Accounting Policies

1.25 Value Added Tax

The municipality accounts for Value Added Tax on the cash basis.

2. New standards and interpretations

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality has adopted the standard for the first time in the 2011 annual financial statements.

The impact of the standard is not material.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the ‘Statement of Comparison of Budget and Actual Amounts’. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality has adopted the standard for the first time in the 2011 annual financial statements.

The impact of the standard is not material.

GRAP 103: Heritage Assets

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Grap 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

Grap 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

Grap 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Grap 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality has adopted the standard for the first time in the 2011 annual financial statements.

The impact of the standard is not material.

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality’s overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have no been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by an municipality in exchange for service rendered by employees;

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- Defined contribution plans as post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
  - pool the assets contributed by various entities that are not under common control; and
  - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
  - an entity's decision to terminate an employee's employment before the normal retirement date; or
  - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
  - All short-term employee benefits;
  - Short-term compensated absences;
  - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- Present value of defined benefit obligations and current service cost:
  - Actuarial valuation method;
  - Attributing benefits to periods of service;
  - Actuarial assumptions;
  - Actuarial assumptions: Discount rate;
  - Actuarial assumptions: Salaries, benefits and medical costs;
  - Actuarial gains and losses;
  - Past service cost.
- Plan assets:
  - Fair value of plan assets;
  - Reimbursements;
  - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle an municipality to a portion of another municipality’s net assets in the event of liquidation and, to dividends or similar distributions paid at management’s discretion.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, an municipality considers the substance of the contract and not just the legal form.

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

Financial assets and financial liabilities are initially recognised at fair value. Where an municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An municipality measures a financial instrument at fair value if it is:
- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:
- Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, an entity can designate the entire contract to be measured at fair value or, it can account for the host contract and embedded derivative separately using GRAP 104. An municipality is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably.
- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, an municipality can however designate such an instrument to be measured at fair value.

An municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once an municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:
- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, an municipality has transferred control of the asset to another municipality.

An municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where an municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

An municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for an municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that an municipality is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

GRAP 104 does not prescribe principles for hedge accounting. An municipality is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

3. Property, plant and equipment

	2011			2010		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	80,084,419	(6,380,764)	73,703,655	80,084,419	(5,403,142)	74,681,277
Motor vehicles	3,630,510	(3,630,510)	-	3,630,510	(3,630,510)	-
Office equipment	740,923	(558,579)	182,344	740,923	(423,908)	317,015
Infrastructure	406,885,479	(162,688,578)	244,196,901	364,623,594	(141,234,167)	223,389,427
Community	22,976,895	(12,768,289)	10,208,606	22,976,895	(11,390,072)	11,586,823
Other property, plant and equipment	41,138,388	(17,231,318)	23,907,070	41,032,690	(9,398,840)	31,633,850
Landfill	9,338,180	(6,226,158)	3,112,022	9,338,180	(4,669,618)	4,668,562
Total	**564,794,794**	**(209,484,196)**	**355,310,598**	**522,427,211**	**(176,150,257)**	**346,276,954**

Reconciliation of property, plant and equipment - 2011

	Opening balance	**Additions**	**Depreciation**	**Total**
Buildings	74,681,277	-	(977,622)	73,703,655
Office equipment	317,015	-	(134,671)	182,344
Infrastructure	223,389,427	42,261,885	(21,454,411)	244,196,901
Community	11,586,823	-	(1,378,217)	10,208,606
Other property, plant and equipment	31,633,850	105,697	(7,832,477)	23,907,070
Landfill	4,668,562	-	(1,556,540)	3,112,022
	346,276,954	**42,367,582**	**(33,333,938)**	**355,310,598**

Reconciliation of property, plant and equipment - 2010

	Opening balance	**Additions**	**Disposals**	**Revaluations**	**Depreciation**	**Total**
Buildings	75,387,146	271,754	-	-	(977,623)	74,681,277
Motor vehicles	593,057	-	-	-	(593,057)	-
Office equipment	36,620	326,468	-	-	(46,073)	317,015
Infrastructure	221,348,090	9,431,382	-	12,595,184	(19,985,229)	223,389,427
Community	12,965,040	-	-	-	(1,378,217)	11,586,823
Other property, plant and equipment	32,044,465	6,185,755	(2,433,258)	1,556,065	(5,719,177)	31,633,850
Landfill	6,225,102	-	-	-	(1,556,540)	4,668,562
	348,599,520	**16,215,359**	**(2,433,258)**	**14,151,249**	**(30,255,916)**	**346,276,954**

Assets subject to finance lease (Net carrying amount)

Motor vehicles	(3,630,510)	(3,630,510)
Office equipment	182,344	317,015
	(3,448,166)	**(3,313,495)**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

	2011	2010

4. Intangible assets

	2011			2010		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1,776,715	(1,188,635)	588,080	1,714,918	(617,195)	1,097,723

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Computer software, other	1,097,723	61,797	(571,440)	588,080

Reconciliation of intangible assets - 2010

	Opening balance	Additions	Amortisation	Total
Computer software, other	1,217,861	255,879	(376,017)	1,097,723

5. Employee benefit obligations

Defined benefit plan

The actuarial valuation was performed by an independent acturial valuator and the valuation determined that the long service award plan and post emplyment medical benefit plan was in a sound financial position.

The plan is a long service award and a post employment medical benefit plan.

The amounts recognised in the statement of financial position are as follows:

	2011	2010
Carrying value		
Net liability at the beginning of the year	(6,194,001)	(5,530,211)
Current service cost	(2,033,548)	(2,065,339)
Interest cost	(2,656,557)	(2,578,317)
Actuarial (gains) / losses	-	3,338,966
Transitional liability recognised	(5,779,133)	(5,779,133)
Expected employee vesting	901,741	889,821
Net liability	**(15,761,498)**	**(11,724,213)**

Net expense recognised in the statement of financial performance

	2011	2010
Past service cost	2,033,548	2,065,339
Actuarial (gains) losses	(652,820)	1,301,424
Total included in employee related costs	**1,380,728**	**3,366,763**

Notes to the Annual Financial Statements

	2011	2010

5. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

	2011	2010
Discount rates used - long service award	9.11 %	9.11 %
Discount rate used - Health care cost	9.22 %	9.22 %
General salary inflation (long-term)	6.43 %	6.43 %
Net effective discount rate - long service award	2.52 %	2.52 %
Net effective discount rate - Health care cost	1.82 %	1.82 %
Health care cost inflation rate	7.27 %	7.27 %

6. Inventories

	2011	2010
Consumable stores	1,576,256	1,875,411
Water	351,748	293,825
	1,928,004	**2,169,236**

7. Trade and other receivables

	2011	2010
Trade debtors	6,068,532	6,647,755
Employee costs in advance	43,196	43,196
Under banking / errors	1,974,304	1,285,929
Receipts reversals	519,237	1,754,750
RD Cheques	331,486	108,502
Payments in advance	5,238	1,349,585
Accrued income	97,935	97,935
Cashed cheques	83,573	83,573
MEGA	19,744,887	10,404,616
	28,868,388	**21,775,841**

8. Consumer debtors

	2011	2010
Gross balances		
Rates	129,670,344	124,504,544
Electricity	33,273,270	21,651,927
Water	180,026,988	134,546,083
Sewerage	51,569,850	42,537,671
Refuse	56,364,598	48,196,329
Other	36,726,285	23,042,434
	487,631,335	**394,478,988**
Less: Provision for debt impairment		
Rates	(108,334,123)	(116,039,665)
Electricity	(20,499,186)	(20,179,845)
Water	(145,085,922)	(125,398,496)
Sewerage	(44,926,937)	(39,645,598)
Refuse	(51,712,413)	(44,919,533)
Other	(22,440,209)	(21,475,813)
	(392,998,790)	**(367,658,950)**

	2011	2010

8. Consumer debtors (continued)

Net balance		
Rates	21,336,221	8,464,879
Electricity	12,774,084	1,472,082
Water	34,941,066	9,147,587
Sewerage	6,642,913	2,892,073
Refuse	4,652,185	3,276,796
Other	14,286,076	1,566,621
	94,632,545	**26,820,038**

Rates		
Current (0 -30 days)	1,248,659	1,034,702
31 - 60 days	1,220,736	323,765
61 - 90 days	555,918	289,243
91 - 120 days	474,124	262,207
121 - 365 days	4,627,801	1,789,986
> 365 days	13,208,983	4,764,976
	21,336,221	**8,464,879**

Electricity		
Current (0 -30 days)	3,104,597	375,576
31 - 60 days	1,082,877	71,531
61 - 90 days	381,539	55,649
91 - 120 days	350,555	45,254
121 - 365 days	2,339,173	310,556
> 365 days	5,515,343	613,516
	12,774,084	**1,472,082**

Water		
Current (0 -30 days)	2,802,618	546,372
31 - 60 days	2,288,568	243,004
61 - 90 days	824,456	196,853
91 - 120 days	797,639	181,420
121 - 365 days	6,643,343	1,473,423
> 365 days	21,584,442	6,506,515
	34,941,066	**9,147,587**

Sewerage		
Current (0 -30 days)	274,308	157,789
31 - 60 days	329,011	60,552
61 - 90 days	129,203	58,345
91 - 120 days	122,490	57,759
121 - 365 days	923,010	416,067
> 365 days	4,864,891	2,141,561
	6,642,913	**2,892,073**

Notes to the Annual Financial Statements

	2011	2010

8. Consumer debtors (continued)

Refuse		
Current (0 -30 days)	96,130	122,905
31 - 60 days	149,115	53,749
61 - 90 days	71,168	53,162
91 - 120 days	69,994	52,181
121 - 365 days	528,110	391,511
> 365 days	3,737,668	2,603,288
	4,652,185	**3,276,796**

Other		
Current (0 -30 days)	5,381	6,917
31 - 60 days	20,180	8,022
61 - 90 days	2,881	2,104
91 - 120 days	2,360	2,870
121 - 365 days	47,113	35,232
> 365 days	14,208,161	1,511,476
	14,286,076	**1,566,621**

	2011	2010

8. Consumer debtors (continued)

Summary of debtors by customer classification

	2011	2010
Consumers		
Current (0 -30 days)	31,697,672	12,901,634
31 - 60 days	7,571,523	8,347,264
61 - 90 days	6,562,396	7,848,018
91 - 120 days	293,786,769	259,623,130
	339,618,360	288,720,046
Less: Provision for debt impairment	(281,280,549)	(269,090,400)
	58,337,811	**19,629,646**
Industrial/ commercial		
Current (0 -30 days)	15,745,018	6,898,786
31 - 60 days	3,639,213	3,569,711
61 - 90 days	3,763,027	3,025,033
91 - 120 days	107,067,864	91,006,719
	130,215,122	104,500,249
Less: Provision for debt impairment	(107,847,053)	(97,395,432)
	22,368,069	**7,104,817**
National and provincial government		
Current (0 -30 days)	1,561,517	57,150
31 - 60 days	240,554	33,367
61 - 90 days	232,596	24,087
91 - 120 days	2,639,301	1,144,090
	4,673,968	1,258,694
Less: Provision for debt impairment	(3,871,089)	(1,173,118)
	802,879	**85,576**
Total		
Total debtors	487,631,335	394,478,988
	487,631,335	394,478,988
Less: Provision for debt impairment	(392,998,790)	(367,658,950)
	94,632,545	**26,820,038**
Less: Provision for debt impairment		
Total impairment for doubtful debts	(392,998,790)	(367,658,950)
Reconciliation of debt impairment provision		
Balance at beginning of the year	(367,658,950)	(346,687,110)
Contributions to provision	(25,339,840)	(32,157,909)
Debt impairment written off against provision	-	11,186,069
	(392,998,790)	**(367,658,950)**

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Notes to the Annual Financial Statements

	2011	2010

9. Cash and cash equivalents (continued)

	2011	2010
Cash on hand	7,900	7,900
Bank balances	1,646,250	1,427,854
Short-term deposits	4,899	18,004,899
	1,659,049	**19,440,653**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2011	30 June 2010	30 June 2009	30 June 2011	30 June 2010	30 June 2009
ABSA - Cheque Account - 080021380	897,525	1,136,008	12,400,672	1,641,712	1,427,854	(7,790,991)
FNB - Current Account - 62072927563	4,538	1,407	2,413	4,538	4,538	21,562
ABSA - Call Account - 4044390480	5,067	18,004,899	4,944	4,899	18,004,899	4,944
Investec Call Account - 432555	-	-	10,079,268	-	-	10,079,268
RMB Call Account	-	-	10,000,000	-	-	10,000,000
Total	**907,130**	**19,142,314**	**32,487,297**	**1,651,149**	**19,437,291**	**12,314,783**

10. Finance lease obligation

	2011	2010
Minimum lease payments due		
- within one year	110,576	108,151
- in second to fifth year inclusive	103,720	214,296
	214,296	322,447
less: future finance charges	(27,704)	(62,792)
Present value of minimum lease payments	**186,592**	**259,655**

	2011	2010
Non-current liabilities	103,720	214,296
Current liabilities	110,576	108,151
	214,296	**322,447**

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 12% (2010: 12%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

Market risk

The carrying amounts of finance lease liabilities are denominated in the following currencies:

	2011	2010
Rand	214,296	322,447

For details of sensitivity of exposures to market risk related to finance lease liabilities, as well as liquidity risk refer to note .

The fair value of finance lease liabilities approximates their carrying amounts.

11. Unspent conditional grants and receipts

The funds relating to the unspent conditional grants are to be rolled-over to the next financial year 2011/2012.

	2011	2010

11. Unspent conditional grants and receipts (continued)

Unspent conditional grants and receipts comprises of:

	2011	2010
Unspent conditional grants and receipts		
MIG Grant	2,289,100	2,251,061
DWAF Grant	4,349,331	11,046,774
Water Services Grant	3,232,832	3,232,832
MSIG Grant	240,206	225,894
FMG Grant	81,291	89,421
Metsweding HIV/AIDS Grant	190,623	523,561
Recreation, Sports, Arts and Culture Grant	3,224,795	2,522,939
TPT Rethabiseng Grant	2,442,311	2,442,311
Clean Town Competition Grant	100,635	171,547
Other Grants	500,632	500,632
	16,651,756	**23,006,972**

Movement during the year

	2011	2010
Balance at the beginning of the year	22,705,427	17,507,108
Additions during the year	52,180,459	28,205,291
Income recognition during the year	(58,234,130)	(22,705,427)
	16,651,756	**23,006,972**

See note for reconciliation of grants from National/Provincial Government.

12. Provisions

Reconciliation of provisions - 2011

	Opening Balance	**Additions**	**Total**
Environmental rehabilitation	11,503,939	828,284	12,332,223

Reconciliation of provisions - 2010

	Opening Balance	**Additions**	**Total**
Environmental rehabilitation	7,964,302	3,539,637	11,503,939

The provision relates to a legal obligation to restore landfill sites used for waste disposal. The provision is discounted at an interest rate of 10% over an average period of 8 years.

13. Consumer deposit

Consumer depoist consist of electricity and water deposits R11,289,374 (2010: R11,523,923, and other R539,278 (2010: R429,177).

14. Borrowings

Borrowings relates to a non-secured loan from the Development Bank of South Africa for an amount of R28,602,781.87. The loan is repayable at installments of R1,395,172.66 payable quarterly over a period of 10 years. Interest is charged at a fixed interest rate of 15.04% compounded quarterly over 10 years. At year-end the capital balance outstanding is R20,746,658 (2010: R21,784,899).

	2011	2010
Non-Current liabilities	18,153,210	19,687,734
Current liabilities	2,597,333	2,101,091

Notes to the Annual Financial Statements

	2011	2010
14. Borrowings (continued)		
	20,750,543	**21,788,825**

15. Trade and other payables

	2011	2010
Trade payables	123,049,917	68,746,460
Payments received in advanced	68,137,598	38,723,314
Retention money	1,672,275	1,993,706
Unallocated monies	5,101,274	5,101,274
Accrued leave pay	14,535,125	11,297,257
Accrued bonus	4,567,982	1,359
Other payables	(2,388,878)	1,214,271
Unallocated deposits	1,409,694	1,150,964
	216,084,987	**128,228,605**

16. VAT payable

	2011	2010
VAT payable	22,512,708	21,464,868

17. Revenue

	2011	2010
Property rates	91,567,704	113,594,377
Service charges	260,616,896	165,389,631
Rental of facilities and equipment	475,781	483,418
Income from agency services	7,251,339	4,949,763
Fines	231,511	339,297
Licences and permits	4,005,855	328,159
Government grants & subsidies	123,911,225	74,502,818
Other revenue	7,018,826	3,842,513
	495,079,137	**363,429,976**

The amount included in revenue arising from exchanges of goods or services are as follows:

	2011	2010
Service charges	260,616,896	165,389,631
Rental of facilities and equipment	475,781	483,418
Income from agency services	7,251,339	4,949,763
Licences and permits	4,005,855	328,159
	272,349,871	**171,150,971**

The amount included in revenue arising from non-exchange transactions is as follows:

	2011	2010
Taxation revenue		
Property rates	91,567,704	113,594,377
Fines	231,511	339,297
Transfer revenue		
Levies	123,911,225	74,502,818
Other revenue	7,018,826	3,842,513
	222,729,266	**192,279,005**

	2011	2010

18. Property rates

Valuations

	2011	2010
Residential	71,999,691	85,777,414
Commercial	9,473,644	11,785,113
Small holdings and farms	13,263,100	16,042,377
Less: Income forgone	(3,168,731)	-
	91,567,704	**113,604,904**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2008. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of 0.054 (2010: 0.054) is applied to property valuations to determine assessment rates. Rebates of 40% (2010: 40%) are granted to residential and state property owners.

The new general valuation will be implemented on 01 July 2012.

19. Service charges

	2011	2010
Sale of electricity	123,757,927	81,762,527
Sale of water	106,571,522	57,851,435
Sewerage and sanitation charges	18,134,602	15,008,303
Refuse removal	12,152,845	10,767,366
	260,616,896	**165,389,631**

Notes to the Annual Financial Statements

	2011	2010

20. Government grants and subsidies

Equitable share	65,336,000	51,630,952
Government grant - Operating	4,885,362	3,315,625
Government grant - Capital	53,689,863	19,556,241
	123,911,225	**74,502,818**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of 65,336,000 (2010: R51,630,952), which is funded from the grant.

MIG Grant

Balance unspent at beginning of year	2,251,061	853,330
Current-year receipts	30,242,000	15,480,000
Conditions met - transferred to revenue	(30,203,961)	(14,082,269)
	2,289,100	**2,251,061**

Conditions still to be met - remain liabilities (see note 11).

This funds are to be rolled-over to the 2011/12.

DWAF Grant

Balance unspent at beginning of year	11,046,774	8,454,017
Current-year receipts	16,788,459	8,066,730
Conditions met - transferred to revenue	(23,485,902)	(5,473,973)
	4,349,331	**11,046,774**

Conditions still to be met - remain liabilities (see note 11).

This funds are to be rolled-over to the 2011/12.

Water Services Grant

Balance unspent at beginning of year	3,232,832	3,232,832

Conditions still to be met - remain liabilities (see note 11).

This funds are to be rolled-over to the 2011/12.

MSIG Grant

Balance unspent at beginning of year	225,894	45,463
Current-year receipts	750,000	735,000
Conditions met - transferred to revenue	(735,688)	(554,569)
	240,206	**225,894**

Conditions still to be met - remain liabilities (see note 11).

This funds are to be rolled-over to the 2011/12.

FMG Grant

20. Government grants and subsidies (continued)

	2011	2010
Balance unspent at beginning of year	89,421	63,697
Current-year receipts	1,000,000	750,000
Conditions met - transferred to revenue	(1,008,130)	(724,276)
	81,291	**89,421**

Conditions still to be met - remain liabilities (see note 11).

This funds are to be rolled-over to the 2011/12.

Metsweding HIV/AIDS Grant

	2011	2010
Balance unspent at beginning of year	523,561	-
Current-year receipts	-	690,000
Conditions met - transferred to revenue	(332,938)	(166,439)
	190,623	**523,561**

Conditions still to be met - remain liabilities (see note 11).

This funds are to be rolled-over to the 2011/12.

Recreation, Sports, Arts and Culture Grant

	2011	2010
Balance unspent at beginning of year	2,522,939	1,000,284
Current-year receipts	3,400,000	3,340,000
Conditions met - transferred to revenue	(2,698,144)	(1,817,345)
	3,224,795	**2,522,939**

Conditions still to be met - remain liabilities (see note 11).

This funds are to be rolled-over to the 2011/12.

TPT Rethabiseng Grant

	2011	2010
Balance unspent at beginning of year	2,442,311	2,442,311

Conditions still to be met - remain liabilities (see note 11).

This funds are to be rolled-over to the 2011/12.

Clean Town Competition Grant

	2011	2010
Balance unspent at beginning of year	171,547	224,541
Conditions met - transferred to revenue	(70,912)	(52,994)
	100,635	**171,547**

Conditions still to be met - remain liabilities (see note 11).

This funds are to be rolled-over to the 2011/12.

Other Grants

	2011	2010
Balance unspent at beginning of year	500,632	500,632

Conditions still to be met - remain liabilities (see note 11).

Notes to the Annual Financial Statements

	2011	2010

20. Government grants and subsidies (continued)

This funds are to be rolled-over to the 2011/12.

21. General expenses

	2011	2010
Advertising	111,299	436,791
Auditors remuneration	3,031,061	2,056,057
Bank charges	1,319,695	1,093,406
Cleaning	110,587	88,324
Consulting and professional fees	12,027,407	6,870,801
Debt collection	8,122,406	4,912,657
Entertainment	106,719	160,859
Insurance	1,974,533	1,007,072
Lease rentals on operating lease	313,387	432,585
Fleet	6,616,517	2,996,787
Marketing	526	101,839
Postage and courier	1,002,994	1,107,748
Printing and stationery	671,345	1,011,608
Protective clothing	300,835	559,951
Subscriptions and membership fees	4,151,025	29,016
Telephone and fax	4,089,739	2,942,382
Training	513,180	345,252
Travel - local	631,501	423,711
Chemicals	3,065,891	3,385,332
Other expenses	8,985,131	5,579,907
	57,145,778	**35,542,085**

Notes to the Annual Financial Statements

	2011	2010

22. Employee related costs

Basic	63,714,728	59,320,831
Bonus	5,087,554	5,181,501
Medical aid - company contributions	7,388,824	6,006,143
UIF	661,442	645,957
SDL	959,429	-
Leave pay provision charge	3,947,380	2,523,731
Post-employment benefits	15,847,196	16,669,885
Travel, motor car, accommodation, subsistence and other allowances	6,260,216	5,509,903
Overtime payments	9,738,751	8,695,429
Long-service awards	306,855	357,876
Acting allowances	1,786,040	865,355
Housing benefits and allowances	788,231	811,848
Cellphone allowances	18,720	21,163
Standby allowances	2,920,960	2,347,975
	119,426,326	**108,957,597**

Remuneration of municipal manager

Annual Remuneration	708,171	643,792
Car Allowance	132,000	260,250
Performance Bonuses	70,101	183,510
	910,272	**1,087,552**

Remuneration of chief finance officer

Annual Remuneration	636,575	578,705
Car Allowance	178,200	162,000
Contributions to UIF, Medical and Pension Funds	-	73,749
Acting allowance	152,417	-
	967,192	**814,454**

Electrical and Mechanical

Annual Remuneration	638,735	584,705
Car Allowance	176,039	156,000
Contributions to UIF, Medical and Pension Funds	-	99,510
	814,774	**840,215**

Corporate and human resources (corporate services)

Annual Remuneration	577,175	524,705
Car Allowance	237,600	216,000
Contributions to UIF, Medical and Pension Funds	-	159,409
	814,775	**900,114**

Health, safety and social services (emergency management services)

Annual Remuneration	653,375	596,705
Car Allowance	158,400	144,000
Contributions to UIF, Medical and Pension Funds	-	110,505
	811,775	**851,210**

Procurements and infrastructure (planning, transport and environmental affairs)

Notes to the Annual Financial Statements

	2011	2010

22. Employee related costs (continued)

Annual Remuneration	-	584,705
Car Allowance	-	156,000
Performance Bonuses	-	71,155
	-	**811,860**

Finance and economics development

Annual Remuneration	-	680,705
Car Allowance	-	60,000
Contributions to UIF, Medical and Pension Funds	-	82,192
	-	**822,897**

Chief Operations Officer

Annual Remuneration	662,750	602,501
Car Allowance	152,024	138,204
Acting allowance	190,450	-
	1,005,224	**740,705**

23. Remuneration of councillors

Executive Mayor	595,864	698,584
Speaker	471,663	664,028
Councillors	5,838,947	5,723,423
	6,906,474	**7,086,035**

In-kind benefits

The Executive Mayor, Speaker and Members of the Executiuve Committee are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has the use of separate Council owned vehicles for official duties.

The Mayor has two full-time bodyguards.

24. Debt impairment

Debt impairment	25,339,840	32,157,909

25. Investment revenue

Interest revenue		
Bank	405,362	794,237
Interest charged on trade and other receivables	1,294,067	31,406
	1,699,429	**825,643**

The amount included in Investment revenue arising from investment with banks amounted to 405,365.

Total interest income, calculated using the municipality effective interest rate, on consumer debtors amounted to R1,294,067 (2010: R31,406).

Notes to the Annual Financial Statements

	2011	2010

26. Depreciation and amortisation

Property, plant and equipment	33,333,940	30,255,856
Intangible assets	571,440	376,017
	33,905,380	**30,631,873**

27. Finance costs

Bank	3,212,875	3,479,600
Current borrowings	3,519,930	3,393,182
	6,732,805	**6,872,782**

28. Auditors' remuneration

Fees	3,011,939	2,019,444
Expenses	19,122	36,613
	3,031,061	**2,056,057**

29. Contracted services

Other Contractors	16,716,717	15,437,239

30. Grants and subsidies paid

Grants and subsidies		
Total grant and subsidies expenses	21,036,487	9,188,269

31. Bulk purchases

Electricity	122,512,946	86,299,123
Water	23,351,847	25,211,902
Sewer purification	11,653,833	-
	157,518,626	**111,511,025**

32. Cash generated from operations

Deficit	(20,850,890)	(39,651,846)
Adjustments for:		
Depreciation and amortisation	33,905,380	30,631,873
(Loss) gain on sale of assets and liabilities	(2,008,963)	2,398,393
Debt impairment	25,339,840	32,157,909
Movements in retirement benefit assets and liabilities	4,037,285	3,178,094
Movements in provisions	828,284	3,539,637
Changes in working capital:		
Inventories	241,232	182,069
Trade and other receivables	(7,092,548)	(13,756,961)
Consumer debtors	(93,152,347)	(67,335,619)
Trade and other payables	87,856,382	68,545,064
VAT	1,047,840	13,140,681
Unspent conditional grants and receipts	(6,355,216)	6,189,926
	23,796,279	**39,219,220**

	2011	2010

33. Commitments

Authorised capital expenditure

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

34. Related parties

Related party transactions

Purchases from (sales to) related parties		
City of Tshwane	11,653,833	9,000,000
Thembisile Hani Local Municipality	(21,123,569)	(15,000,000)

35. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 100% of its borrowings in fixed rate instruments. During 2011 and 2010, the municipality's borrowings at fixed rate were denominated in the Rand.

Cash flow interest rate risk

Financial instrument	**Current interest rate**	**Due in less than a year**	**Due in one to two years**	**Due in two to three years**	**Due in three to four years**	**Due after five years**
Trade and other receivables - normal credit terms	- %	28,868,390	-	-	-	-
Cash in current banking institutions	- %	1,659,049	-	-	-	-
Trade and other payables - extended credit terms	- %	(216,084,988)	-	-	-	-
Borrowings	15.04 %	(2,597,333)	(3,010,561)	(3,489,533)	(4,044,708)	(7,593,262)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	**2011**	**2010**
ABSA Call Account	5,067	18,004,899
Trade and other receivables	28,868,390	21,775,845
Consumer debtots	94,632,545	26,820,038

Notes to the Annual Financial Statements

	2011	2010

36. Going concern

We draw attention to the fact that at 30 June 2011, the municipality had accumulated deficits of 166,736,591 and that the municipality's total liabilities exceed its assets by 166,736,591.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

37. Events after the reporting date

A notice was issued as per section 12 of MFMA regarding the disestablishment of Unwinding Local Municipality and the municipality will be taken over by the City of Tshwane with effect from the 01 July 2011.

38. Unauthorised expenditure

	2011	2010
Contracted awarded for similar services, of which another service provider had already awarded.	-	3,119,163
Non-compliance with MFMA supply chain regulations	-	22,850,000
	-	**25,969,163**

39. Fruitless and wasteful expenditure

	2011	2010
Interest charged for late payments	65,638	313,663
Salaries paid to suspended employees	3,416,145	1,774,179
Missing cheque's cashed	-	567,000
	3,481,783	**2,654,842**

40. In-kind donations and assistance

The municipality receives the following in-kind donations and assistance

Two staff members as well as the Acting CFO from Gauteng Department of Finance were placed at the municipality for a period of 16 months which ends on 31 June 2011

41. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2011	2010
Current year subscription / fee	692,185	600,255
Amount paid - current year	(600,255)	(600,255)
	91,930	**-**

Audit fees

	2011	2010
Opening balance	1,176,608	-
Current year's audit fee	3,226,235	3,232,665
Amount paid - current year	(3,031,061)	(2,056,057)
	1,371,782	**1,176,608**

PAYE and UIF

	2011	2010
Current year	18,018,152	25,738,175
Amount paid - current year	(18,018,152)	(25,738,175)
	-	**-**

	2011	2010

41. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

	2011	2010
Current year	31,710,450	28,604,896
Amount paid - current year	(31,710,450)	(28,604,896)
	-	-

VAT

	2011	2010
VAT payable	22,512,708	21,464,868

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2011:

30 June 2011	Outstanding less than 90 days	Outstanding more than 90 days	Total
GJ van Tonder	4,604	-	4,604
ML Mahlangu	1,120	-	1,120
VP Mabelane	603	-	603
PM Nkonsi	430	-	430
JM Masango	489	-	489
AD Mabona	702	-	702
SJ Sebola	824	-	824
D Motaung	980	-	980
MW Dlongwana	2,691	-	2,691
BA Mokoena	757	-	757
S Pitseng	1,082	-	1,082
ES M ashiloane	496	-	496
Faul JH	2,245	-	2,245
PA van der Walt	625	-	625
	17,648	**-**	**17,648**

30 June 2010	Outstanding less than 90 days	Outstanding more than 90 days	Total
SJ Sebola	821	1,651	2,472
D Motaung	620	941	1,561
ES Mashiloane	425	-	425
R Makola	4,590	-	4,590
PA van der Walt	803	572	1,375
	7,259	**3,164**	**10,423**

During the year the following Councillors’ had arrear accounts outstanding for more than 90 days.

42. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

- July 2011 - Study, design and nersa app terriffs (emmergency): R198,415.86
- July 2011 - Compiling asset register (emmergency): R318,090.78
- August 2011 - Valuation of services (emmergency): R33,630.00
- August 2011 - Mini-sub to be replaced (emmergency): R6,292.80
- August 2011 - Credit control fuctions (Impractical to follow SCM process): R80,000
- September 2011 - Supply and delivery of transfomer(emmergency): R68,970.00
- October 2011 - Supply of water to the rural areas (no contractor for the service): R60,000
- October 2011 - Provision for chemical toilets (no contractor for the service): R53,358.84
- October 2011 - Provision for chemical toilets (no contractor for the service): R54,036
- Novermber 2011 - Purchase of library information resources (sole distributor): R100,329.82
- Novermber 2011 - Purchase of microbiological LAB chemicals (sole provider): R18,267.94
- Novermber 2011 - Provision for chemical toilets (no contractor for the service): R58,310.56
- December 2011 - Delivered material (emmergency): R498,582.12
- December 2011 - Pipe breakdown (emmergency): R85,952.58
- December 2011 - Water supply (emmergency): R9,000
- December 2011 - Water supply (emmergency): R9,000
- December 2011 - Payment for service provider (emmergency): R53,358.86
- January 2011 - Data migration (sole privider): R12,500
- January 2011 - Repair and maintenance of HP Equipments (Repair and maintenance of HP Equipment): R3,694.64
- January 2011 - Provision for chemical toilets (no contractor for the service): R84,816
- January 2011 - Underground water research (emmergency): R8,550
- January 2011 - Unblocking of sewer pipes (emmergency): R8,401.80
- January 2011 - Supply and delivery of 11kv/415v (emmergency): R98,382
- February 2011 - Medium voltage cable at Zithobeni (emmergency): R4,935.74
- February 2011 - Load new GIS data (emmergency): R30,150
- February 2011 - Unblocking of sewer pump (emmergency): R16,635.56
- March 2011 - Chemical toilets (emmergency): R58310.56
- March 2011 - Hiring of chemical toilets (emmergency): R54,036
- March 2011 - Hiring of chemical toilets (emmergency): R54,036
- March 2011 - Hiring of chemical toilets (emmergency): R53,358.84
- March 2011 - Hiring of chemical toilets (emmergency): R58,310.56
- March 2011 - Purchase of library information resources (sole distributor): R187,854.68
- March 2011 - Relocation of unlawful occupiers at Donkerhook (Impractical to follow SCM process): R381,784
- March 2011 - Unblocking of sewer lines (emmergency): R2,679
- March 2011 - Pipe burst at mooikloof (emmergency): R33,115.86
- April 2011 - Purchase of microbiological LAB chemicals (sole provider): R10,705.38
- April 2011 - Instalation of electricity meter (speecial service): R9,849.60
- April 2011 - Payment of delivered goods (emmergency): R197,505
- April 2011 - Landfill site emergency dumping area (emmergency): R170,000
- May 2011 - Payment for generator machine (emmergency): R1,500
- May 2011 - Catering for 30 people (emmergency): R495
- May 2011 - Payment for delivered and used material (emmergency): R186,697.80
- May 2011 - Repairs of prolaazer machine (sole supplier): R783.45
- May 2011 - Installation of pump (emmergency): R281,451.18
- May 2011 - Maintenance of 6 meter boxes (emmergency): R172,431
- June 2011 - Acturial services (Sec 32 of SCM regulation): R17,110
- June 2011 - Purchasing of microbiological chemical (emmergy): R10,678.38
- June 2011 - Supply and delivery of cable 3 core 11kv 70mm (emmergency): R23,357.46
- June 2011 - Payment for delivered material (emmergency): R4,935.74
- June 2011 - Installation of UDS toiltes (emmergency): R67,545

42. Deviation from supply chain management regulations (continued)

- June 2011 - Unbundling of infrastructure assets (emmergency): R3,894,031
- June 2011 - Preparation of the 2010/2011 annual financial statements (emmergency): R960,045.30

Notes to the Annual Financial Statements

Figures in Rand

43. Statement of comparative and actual information

2011

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance							
Property rates	122,000,000	122,000,000	122,000,000	91,567,704	30,432,296	75 %	75 %
Service charges	227,593,412	227,593,412	227,593,412	260,616,896	(33,023,484)	115 %	115 %
Investment revenue	100,000	100,000	100,000	1,699,429	(1,599,429)	1,699 %	1,699 %
Transfers recognised - operational	120,674,561	120,674,561	120,674,561	70,221,362	50,453,199	58 %	58 %
Other own revenue	41,832,439	41,832,439	41,832,439	20,992,275	20,840,164	50 %	50 %
Total revenue (excluding capital transfers and contributions)	**512,200,412**	**512,200,412**	**512,200,412**	**445,097,666**	**67,102,746**	**87 %**	**87 %**
Employee costs	(138,436,932)	(138,436,932)	(138,436,932)	(124,750,338)	(13,686,594)	90 %	90 %
Remuneration of councillors	(8,430,197)	(8,430,197)	(8,430,197)	(6,906,474)	(1,523,723)	82 %	82 %
Debt impairment	(12,654,995)	(12,654,995)	(12,654,995)	(25,339,840)	12,684,845	200 %	200 %
Depreciation and asset impairment	(39,836,745)	(39,836,745)	(39,836,745)	(33,905,380)	(5,931,365)	85 %	85 %
Finance charges	(3,449,662)	(3,449,662)	(3,449,662)	(6,732,805)	3,283,143	195 %	195 %
Materials and bulk purchases	(129,526,000)	(129,526,000)	(129,526,000)	(157,518,626)	27,992,626	122 %	122 %
Transfers and grants	-	-	-	(21,036,487)	21,036,487	DIV/0 %	DIV/0 %
Other expenditure	(174,204,878)	(174,204,878)	(174,204,878)	(143,448,469)	(30,756,409)	82 %	82 %
Total expenditure	**(506,539,409)**	**(506,539,409)**	**(506,539,409)**	**(519,638,419)**	**13,099,010**	**103 %**	**103 %**
Surplus/(Deficit)	**5,661,003**	**5,661,003**	**5,661,003**	**(74,540,753)**	**80,201,756**	**(1,317)%**	**(1,317)%**

Notes to the Annual Financial Statements

Figures in Rand

43. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	-	-	-	53,689,863	(53,689,863)	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**5,661,003**	**5,661,003**	**5,661,003**	**(20,850,890)**	**26,511,893**	**(368)%**	**(368)%**
Surplus/(Deficit) for the year	**5,661,003**	**5,661,003**	**5,661,003**	**(20,850,890)**	**26,511,893**	**(368)%**	**(368)%**

Notes to the Annual Financial Statements

Figures in Rand

43. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources							
Total capital expenditure	-	-	-	42,367,582	(42,367,582)	DIV/0 %	DIV/0 %
Cash flows							
Net cash from (used) operating	-	-	-	23,796,279	(23,796,279)	DIV/0 %	DIV/0 %
Net cash from (used) investing	-	-	-	(40,420,416)	40,420,416	DIV/0 %	DIV/0 %
Net cash from (used) financing	-	-	-	(1,157,471)	1,157,471	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	**-**	**-**	**-**	**(17,781,608)**	**17,781,608**	**DIV/0 %**	**DIV/0 %**
Cash and cash equivalents at the beginning of the year	-	-	-	19,440,653	(19,440,653)	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	**-**	**-**	**-**	**1,659,045**	**(1,659,045)**	**DIV/0 %**	**DIV/0 %**

Appendix A
June 2011

Schedule of external loans as at 30 June 2010

	Loan Number	Redeemable	Balance at 30 June 2010 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2011 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Development Bank of South Africa								
Development of South Africa Loan	102424/1	2016	21,788,824	-	1,038,241	20,750,583	-	-
			21,788,824	**-**	**1,038,241**	**20,750,583**	**-**	**-**
Total external loans								
Development Bank of South Africa			21,788,824	-	1,038,241	20,750,583	-	-
			21,788,824	**-**	**1,038,241**	**20,750,583**	**-**	**-**

Appendix B
June 2011

Analysis of property, plant and equipment as at 30 June 2010

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Infrastructure														
Roads, Pavements & Bridges	111,544,709	12,928,647	-	-	-	**-**	**124,473,356**	(104,866,479)	-	-	(15,929,917)	-	**(120,796,396)**	3,676,960
Water resevour and reticulation	134,924,570	15,638,502	-	-	-	**-**	**150,563,072**	(18,196,978)	-	-	(2,764,242)	-	**(20,961,220)**	129,601,852
Electricity reticulation	21,870,638	2,534,928	-	-	-	**-**	**24,405,566**	(2,245,826)	-	-	(341,155)	-	**(2,586,981)**	21,818,585
Sewerage purification	81,254,258	9,417,817	-	-	-	**-**	**90,672,075**	(9,171,382)	-	-	(1,393,194)	-	**(10,564,576)**	80,107,499
Waste Management	15,029,418	1,741,992	-	-	-	**-**	**16,771,410**	(6,753,502)	-	-	(1,025,903)	-	**(7,779,405)**	8,992,005
	364,623,593	**42,261,886**	**-**	**-**	**-**	**-**	**406,885,479**	**(141,234,167)**	**-**	**-**	**(21,454,411)**	**-**	**(162,688,578)**	**244,196,901**
Community Assets														
Parks & gardens	22,976,895	-	-	-	-	**-**	**22,976,895**	(11,390,072)	-	-	(1,378,217)	-	**(12,768,289)**	10,208,606
	22,976,895	**-**	**-**	**-**	**-**	**-**	**22,976,895**	**(11,390,072)**	**-**	**-**	**(1,378,217)**	**-**	**(12,768,289)**	**10,208,606**

Appendix B
June 2011

Analysis of property, plant and equipment as at 30 June 2010

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Other assets														
Other land and buildings	89,422,797	-	-	-	-	**-**	**89,422,797**	(10,072,760)	-	-	(2,534,361)	-	**(12,607,121)**	76,815,676
Other Assets - Leased	4,371,433	-	-	-	-	**-**	**4,371,433**	(4,054,417)	-	-	(134,671)	-	**(4,189,088)**	182,345
Other (including IT)	41,032,692	105,696	-	-	-	**-**	**41,138,388**	(12,511,917)	-	-	(7,832,478)	-	**(20,344,395)**	20,793,993
	134,826,922	**105,696**	**-**	**-**	**-**	**-**	**134,932,618**	**(26,639,094)**	**-**	**-**	**(10,501,510)**	**-**	**(37,140,604)**	**97,792,014**
Total property plant and equipment														
Infrastructure	364,623,593	42,261,886	-	-	-	**-**	**406,885,479**	(141,234,167)	-	-	(21,454,411)	-	**(162,688,578)**	244,196,901
Community Assets	22,976,895	-	-	-	-	**-**	**22,976,895**	(11,390,072)	-	-	(1,378,217)	-	**(12,768,289)**	10,208,606
Other assets	134,826,922	105,696	-	-	-	**-**	**134,932,618**	(26,639,094)	-	-	(10,501,510)	-	**(37,140,604)**	97,792,014
	522,427,410	**42,367,582**	**-**	**-**	**-**	**-**	**564,794,992**	**(176,150,255)**	**-**	**-**	**(33,334,138)**	**-**	**(209,484,393)**	**355,310,599**
Intangible assets														
Computers - software & programming	1,714,918	61,797	-	-	-	**-**	**1,776,715**	(617,195)	-	-	(571,441)	-	**(1,188,636)**	588,079
	1,714,918	**61,797**	**-**	**-**	**-**	**-**	**1,776,715**	**(617,195)**	**-**	**-**	**(571,441)**	**-**	**(1,188,636)**	**588,079**
Total														
Infrastructure	364,623,593	42,261,886	-	-	-	**-**	**406,885,479**	(141,234,167)	-	-	(21,454,411)	-	**(162,688,578)**	244,196,901
Community Assets	22,976,895	-	-	-	-	**-**	**22,976,895**	(11,390,072)	-	-	(1,378,217)	-	**(12,768,289)**	10,208,606
Other assets	134,826,922	105,696	-	-	-	**-**	**134,932,618**	(26,639,094)	-	-	(10,501,510)	-	**(37,140,604)**	97,792,014
Intangible assets	1,714,918	61,797	-	-	-	**-**	**1,776,715**	(617,195)	-	-	(571,441)	-	**(1,188,636)**	588,079
	524,142,328	**42,429,379**	**-**	**-**	**-**	**-**	**566,571,707**	**(176,767,450)**	**-**	**-**	**(33,905,579)**	**-**	**(210,673,029)**	**355,898,678**

Appendix C
June 2011

Segmental analysis of property, plant and equipment as at 30 June 2010

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Executive & Council/Mayor and Council	1,091,723	88,359	-	-	-	**-**	**1,180,082**	(263,675)	-	-	(50,575)	-	**(314,250)**	865,832
Finance & Admin/Finance	1,957,244	158,439	-	-	-	**-**	**2,115,683**	(601,694)	-	-	(115,410)	-	**(717,104)**	1,398,579
Planning and Development/Economic Development/Plan	114,685,803	9,283,832	-	-	-	**-**	**123,969,635**	(20,304,553)	-	-	(3,894,595)	-	**(24,199,148)**	99,770,487
Health/Clinics	105,398	8,532	-	-	-	**-**	**113,930**	(41,107)	-	-	(7,885)	-	**(48,992)**	64,938
Comm. & Social/Libraries and archives	7,380,856	597,481	-	-	-	**-**	**7,978,337**	(1,885,432)	-	-	(361,643)	-	**(2,247,075)**	5,731,262
Public Safety/Police	466,521	37,765	-	-	-	**-**	**504,286**	(131,752)	-	-	(25,271)	-	**(157,023)**	347,263
Sport and Recreation	722,336	58,473	-	-	-	**-**	**780,809**	(223,122)	-	-	(42,797)	-	**(265,919)**	514,890
Environmental Protection/Pollution Control	85,221	6,899	-	-	-	**-**	**92,120**	(25,124)	-	-	(4,819)	-	**(29,943)**	62,177
Road Transport/Roads	14,314,319	1,158,746	-	-	-	**-**	**15,473,065**	(4,051,531)	-	-	(777,120)	-	**(4,828,651)**	10,644,414
Electricity /Electricity Distribution	6,511,018	527,068	-	-	-	**-**	**7,038,086**	(2,080,469)	-	-	(399,053)	-	**(2,479,522)**	4,558,564
Other	376,821,890	30,503,785	-	-	-	**-**	**407,325,675**	(147,158,992)	-	-	(28,226,411)	-	**(175,385,403)**	231,940,272
	524,142,329	**42,429,379**	**-**	**-**	**-**	**-**	**566,571,708**	**(176,767,451)**	**-**	**-**	**(33,905,579)**	**-**	**(210,673,030)**	**355,898,678**
Total														
Municipality	524,142,329	42,429,379	-	-	-	**-**	**566,571,708**	(176,767,451)	-	-	(33,905,579)	-	**(210,673,030)**	355,898,678
	524,142,329	**42,429,379**	**-**	**-**	**-**	**-**	**566,571,708**	**(176,767,451)**	**-**	**-**	**(33,905,579)**	**-**	**(210,673,030)**	**355,898,678**

Appendix D
June 2011

Segmental Statement of Financial Performance for the year ended

Prior Year				Current Year		
Actual Income Rand	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**		**Actual Income Rand**	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**
			Municipality			
94,162	15,606,445	(15,512,283)	Executive & Council/Mayor and Council	2,153,518	15,754,689	(13,601,171)
158,780,758	189,829,109	(31,048,351)	Finance & Admin/Finance	162,379,692	110,902,820	51,476,872
1,438,092	11,850,848	(10,412,756)	Planning and Development/Economic Development/Plan	3,099,030	11,009,828	(7,910,798)
261,689	-	261,689	Health/Clinics	443,593	3,152,221	(2,708,628)
8,205,186	42,801,917	(34,596,731)	Comm. & Social/Libraries and archives	14,697,671	40,561,675	(25,864,004)
-	497,722	(497,722)	Sport and Recreation	37	540,050	(540,013)
101,781	13,949,553	(13,847,772)	Environmental Protection/Pollution Control	197,546	15,619,898	(15,422,352)
25,984,961	18,051,363	7,933,598	Waste Water Management/Sewerage	12,197,664	8,357,383	3,840,281
9,916,582	20,721,853	(10,805,271)	Road Transport/Roads	8,028,681	73,380,754	(65,352,073)
65,460,683	45,143,599	20,317,084	Water/Water Distribution	160,649,626	61,858,997	98,790,629
60,552,244	87,071,069	(26,518,825)	Electricity /Electricity Distribution	134,610,654	143,172,207	(8,561,553)
509,147	28,773,169	(28,264,022)	Other/Air Transport	329,818	35,327,895	(34,998,077)
331,305,285	**474,296,647**	**(142,991,362)**		**498,787,530**	**519,638,417**	**(20,850,887)**
			Municipal Owned Entities			
			Other charges			
331,305,285	474,296,647	(142,991,362)	Municipality	498,787,530	519,638,417	(20,850,887)
331,305,285	**474,296,647**	**(142,991,362)**	**Total**	**498,787,530**	**519,638,417**	**(20,850,887)**

Appendix E(1)
June 2011

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010

	Current year 2010 Act. Bal. Rand	Current year 2010 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	91,567,704	122,000,000	(30,432,296)	(24.9)	Targeted collection was not realised as per budget.
Service charges	260,616,896	227,593,412	33,023,484	14.5	Increase due to increase in demand for services as a result of seasonal conditions.
Rental of facilities and equipment	475,781	541,985	(66,204)	(12.2)	Varaince due to lower than anticipated demand for facilities.
Income from agency services	7,251,339	5,100,000	2,151,339	42.2	Varaince due to the increase in colllection rates.
Fines	231,511	527,553	(296,042)	(56.1)	Targeted collection was not realised as per budget.
Licences and permits	4,005,855	120,000	3,885,855	,238.2	Variance due to understatement of anticipated income.
Government grants & subsidies	123,911,225	120,674,561	3,236,664	2.7	
Other revenue	7,018,826	35,542,901	(28,524,075)	(80.3)	Targeted collection was not realised as per budget.
Interest received - investment	1,699,430	100,000	1,599,430	,599.4	Unanticipated VAT refund from SARS resulting in larger than expected cash investements..
	496,778,567	512,200,412	(15,421,845)	(3.0)	
Expenses					
Personnel	(124,750,337)	(138,436,932)	13,686,595	(9.9)	
Remuneration of councillors	(6,906,474)	(8,430,197)	1,523,723	(18.1)	Concillors upper limits over budgeted.
Depreciation	(33,333,940)	(39,265,305)	5,931,365	(15.1)	
Amortisation	(571,440)	(571,440)	-	-	
Finance costs	(6,732,805)	(3,449,662)	(3,283,143)	95.2	Interest on loans, leases and bank were understated as per budget.
Debt impairment	(25,339,840)	(12,654,995)	(12,684,845)	100.2	Higher than anticipated debt defaulters hence the overspend.
Collection costs	-	(9,960,000)	9,960,000	(100.0)	Contract on one of the agency expired during the year, hence the over budgeted amount.
Repairs and maintenance - General	(69,585,974)	(60,246,951)	(9,339,023)	15.5	Cost exceeded budget due unanticipated requirements for repairs.
Bulk purchases	(157,518,626)	(129,526,000)	(27,992,626)	21.6	Unanticipated demand for basic services hence the overspend.
Contracted Services	(16,716,717)	(20,290,000)	3,573,283	(17.6)	Costs were cut to minimise the cash flow problems which was experienced during the year, hence the saving.
Grants and subsidies paid	(21,036,487)	-	(21,036,487)	-	
General Expenses	(57,145,777)	(83,707,923)	26,562,146	(31.7)	Costs were cut to minimise the cash flow problems which was experienced during the year, hence the saving.
	(519,638,417)	(506,539,405)	(13,099,012)	2.6	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	2,008,963	-	2,008,963	-	
	2,008,963	-	2,008,963	-	
Net surplus/ (deficit) for the year	(20,850,887)	5,661,007	(26,511,894)	(468.3)	

Appendix E(2)
June 2011

Budget Analysis of Capital Expenditure as at 30 June 2010

	Additions Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Municipality					
Executive & Council/Mayor and Council	-	100,000	100,000	**100**	Projects not spent due to cash flow problems.
Finance & Admin/Finance	1,519,430	2,500,000	980,570	**39**	ICT projects stopped due to the merger of Kungwini Local Municipality with City of Tshwane.
Health/Clinics	-	200,000	200,000	**100**	Projects not spend due to cash flow problems.
Comm. & Social/Libraries and archives	1,880,369	3,950,000	2,069,631	**52**	
Service delivery	8,537,420	0,699,000	2,161,580	**5**	
Electricity /Electricity Distribution	430,363	7,850,000	7,419,637	**95**	Projects not spend due to cash flow problems.
	2,367,582	**5,299,000**	**2,931,418**	**23**	
Municipal Owned Entities	**42,429**	**-**	**(42,429)**	**-**	

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2011

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld				Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun		Yes/ No	
FMG	National Treasury	-	00,000	-	-	85,998	21,138	83,000	45,019	-	-	-	-		Yes	
MSIG	National Treasury	50,000	-	-	-	01,370	34,318	-	-	-	-	-	-		Yes	
MIG	Provincial and Local Government	00,000	00,000	-	42,000	38,596	15,826	48,959	00,579	-	-	-	-		Yes	
WSOG	Dpartment of Water Affairs	41,730	41,730	39,810	65,189	53,637	31,816	09,308)	09,757	-	-	-	-		Yes	
HIV/AIDS Grant	Metsweding District Municipality	-	-	-	-	12,547	66,980	89,143	64,268	-	-	-	-		Yes	
Sports, Recreation and Library Grant	Department of sports, Recreation, Arts and culture	00,000	-	-	-	16,750	40,386	90,426	50,583	-	-	-	-		Yes	
Clean Town Competion		-	-	-	-	6,018	4,640	-	60,254	-	-	-	-		Yes	
TPT Rethabiseng		-	-	-	-	-	-	-	-	-	-	-	-		Yes	
Gauteng Financial Management Grant	Provincial and Local Government	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
Water Services Grant		-	-	-	-	-	-	-	-	-	-	-	-		Yes	
Parks and Recreational facilities Grant		-	-	-	-	-	-	-	-	-	-	-	-		Yes	
Management Support		-	-	-	-	-	-	-	-	-	-	-	-		Yes	
Debtors Cleasing		-	-	-	-	-	-	-	-	-	-	-	-		Yes	

Customer Care	-	-	-	-	-	-	-	-	-	-	-	-	Yes
LG Seta	-	-	-	-	-	-	-	-	-	-	-	-	Yes
Sustainable Resource Management	-	-	-	-	-	-	-	-	-	-	-	-	Yes
Credtors Housing	-	-	-	-	-	-	-	-	-	-	-	-	Yes
Waiting List Housing	-	-	-	-	-	-	-	-	-	-	-	-	Yes
Eskon Electricity Housing	-	-	-	-	-	-	-	-	-	-	-	-	Yes
IDP Review	-	-	-	-	-	-	-	-	-	-	-	-	Yes
	91,730	41,730	39,810	07,189	14,916	15,104	02,220	30,460	-	-	-	-	

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.